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DEPOSITORY INSTITUTIONS DEREGULATION COMMITTEE

A new category of time deposit which could be offered by federally insured commercial banks, mutual savings banks and S&Ls has been proposed by the DIDC (see the 10/6/81 Fed. Reg., pp. 49137-40). The characteristics of the new account may include: (1) minimum original maturity of 3½ years or more, (2) no interest rate limitation, (3) permitting additional deposits to be made during the first year of the account without extending its maturity, and (4) minimum denomination of $250. Further, the committee seeks to reduce the minimum maturity of this new deposit category by one year and to create two additional deposit categories effective in 1984 and 1985. Comments are requested by 11/6/81. For additional information contact Paul S. Pilecki at 202/452-3281.

FEDERAL HOME LOAN BANK BOARD

Regulations governing accounting requirements for institutions whose accounts are FSLIC insured, have been amended by the Board (see the 10/9/81 Fed. Reg., pp. 50048-54). The new rules will permit these institutions to defer and amortize gains and losses on the sale of mortgage loans, mortgage-related securities and debt securities not qualifying as liquid assets. The net worth and statutory reserve requirements have also been amended to permit losses from the sale of any type of mortgage loan to qualify for the limited exemption from the requirements and to permit losses in the sale of debt securities not qualifying as liquid assets to count toward the exemption. The rule is effective as of 9/30/81. For additional information contact Michael S. Joseph at 202/377-6574.

SECURITIES AND EXCHANGE COMMISSION

Areas for renewed enforcement vigilance include insider trading, manipulation of securities markets and fraud by reporting companies, according to John M. Fedders, SEC Director, Division of Enforcement, in an address to the Fall Meeting of the Association of General Counsel in Washington, D.C. on 10/8/81. In discussing his program against fraud by reporting companies, Mr. Fedders noted that all material information relating to a company should be fairly and accurately noted. He continued to say that recent SEC deregulation efforts, as reflected by requested public comment on the "integration package" and proposed Regulation D, would require strong enforcement as a fundamental and essential companion. The SEC is, according to Mr. Fedders, committed to an enforcement policy which will prevent deregulation from lessening investor protection.

TREASURY, DEPARTMENT OF

Definition of the term "issue" to provide guidance to purchasers of industrial development bonds and persons connected with industrial development bond financing, is the subject of a notice of proposed rulemaking by the IRS (see the 10/8/81 Fed. Reg., p. 50014). The document contains proposed regulations relating to the term "issue" for purposes of section 103(b) of the Internal Revenue Code. Comments are requested by 12/7/81. The regulations are proposed to be effective for obligations sold after 8/23/81. For additional information contact Harold Flanagan at 202/566-3294.

In a related matter, the IRS has scheduled a public hearing on the above announcement for 11/12/81, beginning at 10 a.m. in the IRS Auditorium, 1111 Constitution Avenue, N.W., Washington, D.C. (see the 10/8/81 Fed. Reg., p. 50015). For additional information contact Charles Hayden at 202/566-3935.

TREASURY, DEPARTMENT OF

The borderline between tax avoidance and tax evasion, the tax schemes that promoters try to devise so as to maintain a posture as tax shelters, but are abusive or evasive tax shelters, was the topic of a 10/6/81 address by IRS Commissioner Roscoe L. Egger, Jr. before the Heart of America Tax Institute in Kansas City, Missouri. Commissioner Egger indicated that as of 7/1/81, the IRS had identified 238,000 tax shelter returns, up from 217,000 four months earlier. He further stated that these returns represented $2.6 billion in proposed additional tax and penalties, and when included with cases pending before the U.S. Tax Court, "abusive tax shelters may well cost the U.S. Treasury as much as $3.6 billion a year in lost tax revenue." Commissioner Egger turned to the "tax revolt" by 3,500 auto workers in Flint, Michigan early last spring, noting that the four ring leaders who urged their follow workers to file false W-4 forms recently received prison terms ranging from 1½ to 3 years. He concluded by noting that tax shelters are an administrative headache for the IRS. He assured his audience that the IRS will prosecute the promoters and operators of schemes that cross the line into tax evasion.

Tentative 1981 cost-of-living differential tables used to figure certain duduction for U.S. taxpayers living and working outside the U.S. were issued by the IRS on 10/7/81. The IRS also issued a list of hardship areas for 1/1/81 through 8/31/81, so that taxpayers can figure the hardship area deduction or determine whether income earned in a "camp" in those areas can be excluded from taxable income. The final cost-of-living tables and list of 1981 hardship areas will be available at the end of the year and included in the instructions for Form 2555 (Deduction from, or Exclusion of, Income Earned Abroad) and in Publication 54 (Tax Guide for U.S. Citizens Abroad). The IRS advised taxpayers to check the new cost-of-living tables and hardship area list and, if necessary, change their income tax withholding or estimated tax payments to avoid a possible estimated tax penalty for 1981. The IRS cautioned, however, that because the tables and list are not final, adjustments may have to be made later. Taxpayers who wish to adjust withholding because of changes in their estimated excess foreign living cost deduction or hardship area exclusion should file a statement with their employers as soon as possible, the IRS said. A sample of this statement appears in Publication 54, which is available at U.S. consulates and embassies or from the IRS Office of International Operations, P.O. Box 384, Benjamin Franklin Station, Washington, D.C. 20044. Hardship areas are designated by the State Department. They are places where U.S. government employees would qualify for a hardship post differential of 15 percent or more due to extraordinarily difficult living conditions, notable unhealthful conditions or excessive physical hardships. Taxpayers seeking to establish a hardship area should fill out Form OF 267 (Post Differential Questionnaire). It is available from the Director, Allowance Staff at 202/235-9466.

The deadline for contractors or subcontractors to file Forms 949 and 949-A in connection with contracts subject to the Vinson-Trammell Act has been extended to 4/15/82, by the IRS. The extension provided in Revenue Procedure 81-49 further modified Rev. Proc. 77-47, and relates to contracts in taxable years that end after 9/30/76, but before 8/1/81. Rev. Proc. 81-49 will appear in Internal Revenue Bulletin No. 1981-43, dated 10/26/81.

SPECIAL: SENATE BANKING CHAIRMAN INTRODUCES MAJOR BANK REFORM LEGISLATION

S. 1720, a major banking reform bill, was introduced by Sen. Jake Garn (R-UT), Chairman, Senate Banking Committee, on 10/7/81 (see the 10/7/81 Cong. Rec., pp. S11254-86). The "restructuring and services" bill contains seven titles, with provisions ranging from municipal revenue bond underwriting authority for commercial banks to an increase in deposit insurance to $250,000 on IRA/Keogh retirement accounts.

The type of services authorized to be offered by depository institutions would be expanded, with federal savings and loans associations being allowed to make commercial loans, credit unions offering a broad range of real estate loans, commercial banks having greater flexibility in bankers acceptances, and all types of depository institutions being able to manage and sell mutual fund investments. The bill has been referred to Sen. Garn's Committee. No hearings have been announced.

SPECIAL: REP. ANTHONY ELECTED TO HOUSE WAYS AND MEANS COMMITTEE

Rep. Beryl Anthony (D-AR), was elected to the Ways and Means Committee on 10/7/81, by unanimous House consent, to fill the vacancy created last month by the death of Rep. William Cotter (D-CT). The House Democratic Caucus selected the Congressman for the tax-writing committee on 9/23/81. Rep. Anthony gave up his assignments on the Budget and Agriculture Committees to become a member of Ways and Means, where he will serve on the Subcommittees on Health and Public Assistance. Ways and Means subcommittee chairmanships and memberships were changed on 9/22/81.

SPECIAL: SENATOR MATHIAS ADDRESSES 94TH AICPA ANNUAL MEETING

"Professional Responsibility: Beyond the Bottom Line" was the title of an address which was delivered by Sen. Charles McC. Mathias, Jr. (R-MD), at the 94th Annual Meeting of the AICPA in Chicago on 10/6/81. In a wide-ranging speech, Sen. Mathias focused on the Administration's and Congress' trend away from unnecessary and burdensome federal regulation; the recent SEC decision to withdraw ASRs 250 and 264 dealing with management advisory services; and, his cosponsorship of Sen. Chafee's (R-RI) bill to amend the Foreign Corrupt Practices Act, S. 708, "a bill to eliminate the ambiguities and superfluous accounting procedures that have plagued American businesses in their efforts to comply with the Act." While noting that recent events can be considered a vote of confidence in the accounting profession, Sen. Mathias warned against complacency in the profession's self-regulatory efforts. He also called attention to the apparent dissatisfaction of some of the membership in regard to self-regulation: "They complain that industry-wide standards may wind up saddling them with a backbreaking burden of practices and controls tailored to the larger accounting firms." He went on to say, "You too must guard against the standardization and forced uniformity that have so often proved to be deadening side-effects of federal regulation." In conclusion, Sen. Mathias urged that the issue of corporate accountability through self-regulation remain high on the profession's agenda.

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